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**ECONOMIC AND EMPLOYMENT COMMISSION**

Fourth session

Item 6 of the Agenda

**PART VI**

**ECONOMIC STABILITY AND FULL EMPLOYMENT**

1. The Commission's discussion of item 6 of its agenda on problems of economic stability and full employment took place on the basis of the report of the third session of the Sub-Commission on Employment and Economic Stability (E/CN.1/66). The Commission also had before it a statement by Mr. Ragnar Frisch, member of the Sub-Commission on Employment and Economic Stability, concerning the report of the third session of the Sub-Commission. In addition, the following reports and memoranda had been made available to the Commission:

- (a) National and International Action to Achieve or Maintain Full Employment and Economic Stability (E/1111 and addenda 1 through 6) containing the replies received from Member Governments and specialized agencies under resolution 104(VI) of the Council.
- (b) Inflationary and Deflationary Tendencies, 1946-1948.  
Report by the Secretariat.
- (c) Economic Survey of Europe in 1948. Prepared by the Secretariat of the Economic Commission for Europe.
- (d) Notes by FAO relating to the Sub-Commission's proposal regarding the development of domestic measures to counter recession.  
(E/CN.1/W.41 and E/CN.1/W.59)
- (e) Reports containing the views of the International Labour Organisation on International Action to Maintain World Full Employment and Economic Stability (E/CN.1/46 and E/CN.1/46/Add.1) and on Domestic Measures to Counteract Recession (E/CN.1/72)
- (f) Memorandum of the International Bank for Reconstruction and Development (E/CN.1/71)

2. The summaries of the Commission's discussion of the agenda item are contained in E/CN.1/SR.75, 76, 80, 83-85.

/3. The Commission

3. The Commission has taken note of the report of the third session of the Sub-Commission on Employment and Economic Stability (E/CN.1/66) with the observation that, while this report represents an improvement over the previous report of the Sub-Commission, its analysis of the present world economic situation and its conclusions regarding the international and domestic measures necessary to maintain full employment were inadequate as a basis for the formulation of recommendations to the Economic and Social Council.\*
4. The Commission regretted that the Sub-Commission on Employment and Economic Stability had been unable to submit any significant report on the problem of recognizing incipient down-turns in economic activity despite the directions given to the Sub-Commission to give particular attention to this problem. The Commission recognizes that this problem presents particular difficulties, but feels that some methods of recognizing substantial declines in economic activity before they have advanced too far is necessary to the formulation of sound domestic and international policies with regard to the maintenance of full employment.
5. The Commission considered the proposal made by the Sub-Commission that international consultation should now be held to review the activities and policies of the international organizations whose functions are related to this problem and its suggestions for a possible agenda for international consideration.
6. The Commission did not regard this proposal as being of value in dealing with the problem of full employment as it exists at the present time or may in the near future. The Commission is of the opinion that the question of the revision of the articles of agreement of the International Bank for Reconstruction and Development and the International Monetary Fund is a matter for those bodies. Moreover, the Sub-Commission's proposal of agenda for international consideration merely consisted of a list of miscellaneous topics without adequate study of their relationship to the basic problem presented to the Sub-Commission and to the Commission. Some members of the Commission believed that further study should be given to the proposed agenda items by the Secretariat and by the specialized agencies.
7. The discussion of the various aspects of economic stability necessarily involved reference to the present world economic situation. The Commission exchanged views on this subject in a closed session with members of the Secretariat.
8. The Commission also gave consideration to the proposal of the Sub-

\* The member of the Commission for France believed that his suggestion contained in E/CN.1/SR.83 was a type of concrete recommendation that could and ought to be made if reports and data were available to the Commission.

Commission that the Commission should prepare for, and place on the agenda of, the Economic and Social Council a detailed outline for the use of the Council in a discussion of "immediate domestic measures to counteract recession, to be used if and when found necessary".

9. With the material available to it, and the time at its disposal, the Commission was unable to present to the Economic and Social Council a programme for action to maintain high levels of production and employment. It noted, however, that some of the Member countries in their replies to the questionnaire of the Secretary-General on their plans for preventing a decline in employment and the maintenance of economic stability indicated that they would impose restrictions on imports in the event of a serious decline in employment. The Commission was concerned, and wishes particularly to call to the attention of the Economic and Social Council the fact that certain Member nations proposed to make use of import restrictions as a means of maintaining employment in the event of serious down-turn in economic activity. This, in the opinion of the Commission will lead to the export of unemployment to other countries, and even though it might possibly help the country introducing such measures in the immediate situation, they might well contribute to accentuating the severity of recession in all countries including those adopting restrictive practices. This danger, the Commission feels, should be recognized and brought to the attention of Member countries. This policy would represent a confession of failure to deal internationally with the problem of economic stability. The Commission is of the opinion that expansive rather than restrictive measures, both domestic and international, should be the basis of counteracting any threatened decline in the level of production and of employment. The Commission wants to stress that the maintenance of full employment on a world-wide scale is both a question of international solidarity and co-ordination of domestic employment policies.

10. It was brought to the attention of the Commission that in some of the important industrial nations the previous rate of increase in economic activity has not been sustained during the last six months, and that there has been some contraction in employment and production as well as prices in the last three months. The Commission also noted that among the many measures contemplated by Governments in the event of recession are some that are so restrictive in nature that they would intensify recession. While the Commission has not been able, for the reasons mentioned above, as yet to develop a specific programme of recommended measures, domestic or international, which might be undertaken in the event the existing trends continue, it suggests that the Council urge Member Governments to prepare

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measures of an expansive rather than of contracting types to counter recession and have them ready for immediate use if the situation should deteriorate. It further believes that this subject will be given serious consideration by the Economic and Social Council in connexion with the report of this Commission, and that as part of that discussion the representatives of Governments will be prepared to review both.

- (a) the measures which their Governments now have authority to use, if and when found necessary to counter recession and maintain an expanding economy, and
- (b) the additional expansive measures which they plan to seek legislative authority to use, if found necessary.

11. Several members of the Commission desired to see an effort made to link anti-cyclical measures with the needs of the under-developed countries for economic development. Some members regarded this as one of the most fruitful fields for the Commission's future work. The Commission refers the Economic and Social Council to the draft resolution contained in Annex E and to paragraph 18 in Part V, dealing with economic development.

12. The Commission felt that there are two major groups of problems relative to which studies are already carried on to some extent and concerning which studies should be continued and extended, viz:

- (a) studies related to the structural problems of full employment - its national as well as its international aspects;
- (b) studies to be made, in the light of the present state of knowledge, of prevailing economic conditions which may serve as a basis for policy measures. However, in view of the recommended re-organization of the preparatory work suggested in Part VIII of this report, the Commission felt that it would not at present specify which studies should be undertaken or in what specific form. It was thought advisable to leave the planning of this work to the Secretary-General taking into account the discussion which had taken place at the fourth session of the Commission.

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